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LRB094 19125 LJB 57967 a

1 AMENDMENT TO SENATE BILL 2917

2 AMENDMENT NO. _____. Amend Senate Bill 2917 by replacing
3 everything after the enacting clause with the following:

4 "Section 5. The Regulatory Sunset Act is amended by
5 changing Section 4.17 and by adding Section 4.27 as follows:

6 (5 ILCS 80/4.17)

7 Sec. 4.17. Acts repealed on January 1, 2007. The following
8 are repealed on January 1, 2007:

9 The Boiler and Pressure Vessel Repairer Regulation
10 Act.

11 The Structural Pest Control Act.

12 ~~Articles II, III, IV, V, V 1/2, VI, VIIA, VIIB, VIIC,~~
13 ~~XVII, XXXI, XXXI 1/4, and XXXI 3/4 of the Illinois~~
14 ~~Insurance Code.~~

15 The Clinical Psychologist Licensing Act.

16 The Illinois Optometric Practice Act of 1987.

17 The Medical Practice Act of 1987.

18 The Environmental Health Practitioner Licensing Act.

19 (Source: P.A. 92-837, eff. 8-22-02.)

20 (5 ILCS 80/4.27 new)

21 Sec. 4.27. Act repealed on January 1, 2017. The following
22 are repealed on January 1, 2017:

23 Articles II, III, IV, V, V 1/2, VI, VIIA, VIIB, VIIC, XVII,

1 XXXI, XXXI 1/4, and XXXI 3/4 of the Illinois Insurance Code.

2 Section 10. The Illinois Insurance Code is amended by
3 changing Section 229.4a and by adding Section 356z.8 as
4 follows:

5 (215 ILCS 5/229.4a)

6 (Section scheduled to be repealed on July 1, 2007)

7 Sec. 229.4a. Standard Non-forfeiture Law for Individual
8 Deferred Annuities.

9 (1) Title. This Section shall be known as the Standard
10 Nonforfeiture Law for Individual Deferred Annuities.

11 (2) Applicability. This Section shall not apply to any
12 reinsurance, group annuity purchased under a retirement plan or
13 plan of deferred compensation established or maintained by an
14 employer (including a partnership or sole proprietorship) or by
15 an employee organization, or by both, other than a plan
16 providing individual retirement accounts or individual
17 retirement annuities under Section 408 of the Internal Revenue
18 Code, as now or hereafter amended, premium deposit fund,
19 variable annuity, investment annuity, immediate annuity, any
20 deferred annuity contract after annuity payments have
21 commenced, or reversionary annuity, nor to any contract which
22 shall be delivered outside this State through an agent or other
23 representative of the company issuing the contract.

24 (3) Nonforfeiture Requirements.

25 (A) In the case of contracts issued on or after the
26 operative date of this Section as defined in subsection
27 (13), no contract of annuity, except as stated in
28 subsection (2), shall be delivered or issued for delivery
29 in this State unless it contains in substance the following
30 provisions, or corresponding provisions which in the
31 opinion of the Director of Insurance are at least as
32 favorable to the contract holder, upon cessation of payment

1 of considerations under the contract:

2 (i) That upon cessation of payment of
3 considerations under a contract, or upon the written
4 request of the contract owner, the company shall grant
5 a paid-up annuity benefit on a plan stipulated in the
6 contract of such value as is specified in subsections
7 (5), (6), (7), (8) and (10);

8 (ii) If a contract provides for a lump sum
9 settlement at maturity, or at any other time, that upon
10 surrender of the contract at or prior to the
11 commencement of any annuity payments, the company
12 shall pay in lieu of a paid-up annuity benefit a cash
13 surrender benefit of such amount as is specified in
14 subsections (5), (6), (8) and (10). The company may
15 reserve the right to defer the payment of the cash
16 surrender benefit for a period not to exceed 6 months
17 after demand therefor with surrender of the contract
18 after making written request and receiving written
19 approval of the Director. The request shall address the
20 necessity and equitability to all policyholders of the
21 deferral;

22 (iii) A statement of the mortality table, if any,
23 and interest rates used calculating any minimum
24 paid-up annuity, cash surrender, or death benefits
25 that are guaranteed under the contract, together with
26 sufficient information to determine the amounts of the
27 benefits; and

28 (iv) A statement that any paid-up annuity, cash
29 surrender or death benefits that may be available under
30 the contract are not less than the minimum benefits
31 required by any statute of the state in which the
32 contract is delivered and an explanation of the manner
33 in which the benefits are altered by the existence of
34 any additional amounts credited by the company to the

1 contract, any indebtedness to the company on the
2 contract or any prior withdrawals from or partial
3 surrenders of the contract.

4 (B) Notwithstanding the requirements of this Section,
5 a deferred annuity contract may provide that if no
6 considerations have been received under a contract for a
7 period of 2 full years and the portion of the paid-up
8 annuity benefit at maturity on the plan stipulated in the
9 contract arising from prior considerations paid would be
10 less than \$20 monthly, the company may at its option
11 terminate the contract by payment in cash of the then
12 present value of the portion of the paid-up annuity
13 benefit, calculated on the basis on the mortality table, if
14 any, and interest rate specified in the contract for
15 determining the paid-up annuity benefit, and by this
16 payment shall be relieved of any further obligation under
17 the contract.

18 (4) Minimum values. The minimum values as specified in
19 subsections (5), (6), (7), (8) and (10) of any paid-up annuity,
20 cash surrender or death benefits available under an annuity
21 contract shall be based upon minimum nonforfeiture amounts as
22 defined in this subsection.

23 (A) (i) The minimum nonforfeiture amount at any time at
24 or prior to the commencement of any annuity payments shall
25 be equal to an accumulation up to such time at rates of
26 interest as indicated in subdivision (4) (B) of the net
27 considerations (as hereinafter defined) paid prior to such
28 time, decreased by the sum of paragraphs (a) through (d)
29 below:

30 (a) Any prior withdrawals from or partial
31 surrenders of the contract accumulated at rates of
32 interest as indicated in subdivision (4) (B);

33 (b) An annual contract charge of \$50,
34 accumulated at rates of interest as indicated in

1 subdivision (4) (B);

2 (c) Any premium tax paid by the company for the
3 contract, accumulated at rates of interest as
4 indicated in subdivision (4) (B); and

5 (d) The amount of any indebtedness to the
6 company on the contract, including interest due and
7 accrued.

8 (ii) The net considerations for a given contract year
9 used to define the minimum nonforfeiture amount shall be an
10 amount equal to 87.5% of the gross considerations, credited
11 to the contract during that contract year.

12 (B) The interest rate used in determining minimum
13 nonforfeiture amounts shall be an annual rate of interest
14 determined as the lesser of 3% per annum and the following,
15 which shall be specified in the contract if the interest
16 rate will be reset:

17 (i) The five-year Constant Maturity Treasury Rate
18 reported by the Federal Reserve as of a date, or
19 average over a period, rounded to the nearest 1/20th of
20 one percent, specified in the contract no longer than
21 15 months prior to the contract issue date or
22 redetermination date under subdivision (4) (B) (iv);

23 (ii) Reduced by 125 basis points;

24 (iii) Where the resulting interest rate is not less
25 than 1%; and

26 (iv) The interest rate shall apply for an initial
27 period and may be redetermined for additional periods.
28 The redetermination date, basis and period, if any,
29 shall be stated in the contract. The basis is the date
30 or average over a specified period that produces the
31 value of the 5-year Constant Maturity Treasury Rate to
32 be used at each redetermination date.

33 (C) During the period or term that a contract provides
34 substantive participation in an equity indexed benefit, it

1 may increase the reduction described in subdivision
2 (4) (B) (ii) above by up to an additional 100 basis points to
3 reflect the value of the equity index benefit. The present
4 value at the contract issue date, and at each
5 redetermination date thereafter, of the additional
6 reduction shall not exceed market value of the benefit. The
7 Director may require a demonstration that the present value
8 of the additional reduction does not exceed the market
9 value of the benefit. Lacking such a demonstration that is
10 acceptable to the Director, the Director may disallow or
11 limit the additional reduction.

12 (D) The Director may adopt rules to implement the
13 provisions of subdivision (4) (C) and to provide for further
14 adjustments to the calculation of minimum nonforfeiture
15 amounts for contracts that provide substantive
16 participation in an equity index benefit and for other
17 contracts that the Director determines adjustments are
18 justified.

19 (5) Computation of Present Value. Any paid-up annuity
20 benefit available under a contract shall be such that its
21 present value on the date annuity payments are to commence is
22 at least equal to the minimum nonforfeiture amount on that
23 date. Present value shall be computed using the mortality
24 table, if any, and the interest rates specified in the contract
25 for determining the minimum paid-up annuity benefits
26 guaranteed in the contract.

27 (6) Calculation of Cash Surrender Value. For contracts that
28 provide cash surrender benefits, the cash surrender benefits
29 available prior to maturity shall not be less than the present
30 value as of the date of surrender of that portion of the
31 maturity value of the paid-up annuity benefit that would be
32 provided under the contract at maturity arising from
33 considerations paid prior to the time of cash surrender reduced
34 by the amount appropriate to reflect any prior withdrawals from

1 or partial surrenders of the contract, such present value being
2 calculated on the basis of an interest rate not more than 1%
3 higher than the interest rate specified in the contract for
4 accumulating the net considerations to determine maturity
5 value, decreased by the amount of any indebtedness to the
6 company on the contract, including interest due and accrued,
7 and increased by any existing additional amounts credited by
8 the company to the contract. In no event shall any cash
9 surrender benefit be less than the minimum nonforfeiture amount
10 at that time. The death benefit under such contracts shall be
11 at least equal to the cash surrender benefit.

12 (7) Calculation of Paid-up Annuity Benefits. For contracts
13 that do not provide cash surrender benefits, the present value
14 of any paid-up annuity benefit available as a nonforfeiture
15 option at any time prior to maturity shall not be less than the
16 present value of that portion of the maturity value of the
17 paid-up annuity benefit provided under the contract arising
18 from considerations paid prior to the time the contract is
19 surrendered in exchange for, or changed to, a deferred paid-up
20 annuity, such present value being calculated for the period
21 prior to the maturity date on the basis of the interest rate
22 specified in the contract for accumulating the net
23 considerations to determine maturity value, and increased by
24 any additional amounts credited by the company to the contract.
25 For contracts that do not provide any death benefits prior to
26 the commencement of any annuity payments, present values shall
27 be calculated on the basis of such interest rate and the
28 mortality table specified in the contract for determining the
29 maturity value of the paid-up annuity benefit. However, in no
30 event shall the present value of a paid-up annuity benefit be
31 less than the minimum nonforfeiture amount at that time.

32 (8) Maturity Date. For the purpose of determining the
33 benefits calculated under subsections (6) and (7), in the case
34 of annuity contracts under which an election may be made to

1 have annuity payments commence at optional maturity dates, the
2 maturity date shall be deemed to be the latest date for which
3 election shall be permitted by the contract, but shall not be
4 deemed to be later than the anniversary of the contract next
5 following the annuitant's seventieth birthday or the tenth
6 anniversary of the contract, whichever is later.

7 (9) Disclosure of Limited Death Benefits. A contract that
8 does not provide cash surrender benefits or does not provide
9 death benefits at least equal to the minimum nonforfeiture
10 amount prior to the commencement of any annuity payments shall
11 include a statement in a prominent place in the contract that
12 such benefits are not provided.

13 (10) Inclusion of Lapse of Time Considerations. Any paid-up
14 annuity, cash surrender or death benefits available at any
15 time, other than on the contract anniversary under any contract
16 with fixed scheduled considerations, shall be calculated with
17 allowance for the lapse of time and the payment of any
18 scheduled considerations beyond the beginning of the contract
19 year in which cessation of payment of considerations under the
20 contract occurs.

21 (11) Proration of Values; Additional Benefits. For a
22 contract which provides, within the same contract by rider or
23 supplemental contract provision, both annuity benefits and
24 life insurance benefits that are in excess of the greater of
25 cash surrender benefits or a return of the gross considerations
26 with interest, the minimum nonforfeiture benefits shall be
27 equal to the sum of the minimum nonforfeiture benefits for the
28 annuity portion and the minimum nonforfeiture benefits, if any,
29 for the life insurance portion computed as if each portion were
30 a separate contract. Notwithstanding the provisions of
31 subsections (5), (6), (7), (8) and (10), additional benefits
32 payable in the event of total and permanent disability, as
33 reversionary annuity or deferred reversionary annuity
34 benefits, or as other policy benefits additional to life

1 insurance, endowment and annuity benefits, and considerations
2 for all such additional benefits, shall be disregarded in
3 ascertaining the minimum nonforfeiture amounts, paid-up
4 annuity, cash surrender and death benefits that may be required
5 under this Section. The inclusion of such benefits shall not be
6 required in any paid-up benefits, unless the additional
7 benefits separately would require minimum nonforfeiture
8 amounts, paid-up annuity, cash surrender and death benefits.

9 (12) Rules. The Director may adopt rules to implement the
10 provisions of this Section.

11 (13) Effective Date. After the effective date of this
12 amendatory Act of the 93rd General Assembly, a company may
13 elect to apply its provisions to annuity contracts on a
14 contract form-by-contract form basis before July 1, 2006. In
15 all other instances, this Section shall become operative with
16 respect to annuity contracts issued by the company on or after
17 July 1, 2006.

18 (14) (Blank) ~~This Section is repealed on July 1, 2007.~~

19 (Source: P.A. 93-873, eff. 8-6-04.)

20 (215 ILCS 5/356z.8 new)

21 Sec. 356z.8. Multiple sclerosis preventative physical
22 therapy. A group or individual policy of accident and health
23 insurance or managed care plan amended, delivered, issued, or
24 renewed after the effective date of this amendatory Act of the
25 94th General Assembly must provide coverage for medically
26 necessary preventative physical therapy for insureds diagnosed
27 with multiple sclerosis. For the purposes of this Section,
28 "preventative physical therapy" means physical therapy that is
29 prescribed by a physician licensed to practice medicine in all
30 of its branches for the purpose of treating parts of the body
31 affected by multiple sclerosis, but only where the physical
32 therapy includes reasonably defined goals, including, but not
33 limited to, sustaining the level of function the person has

1 achieved, with periodic evaluation of the efficacy of the
2 physical therapy against those goals. The coverage required
3 under this Section shall be subject to the same deductible,
4 coinsurance, waiting period, cost sharing limitation,
5 treatment limitation, calendar year maximum, or other
6 limitations as provided for other physical or rehabilitative
7 therapy benefits covered by the policy.

8 Section 15. The Health Maintenance Organization Act is
9 amended by changing Section 5-3 as follows:

10 (215 ILCS 125/5-3) (from Ch. 111 1/2, par. 1411.2)

11 Sec. 5-3. Insurance Code provisions.

12 (a) Health Maintenance Organizations shall be subject to
13 the provisions of Sections 133, 134, 137, 140, 141.1, 141.2,
14 141.3, 143, 143c, 147, 148, 149, 151, 152, 153, 154, 154.5,
15 154.6, 154.7, 154.8, 155.04, 355.2, 356m, 356v, 356w, 356x,
16 356y, 356z.2, 356z.4, 356z.5, 356z.6, 356z.8, 364.01, 367.2,
17 367.2-5, 367i, 368a, 368b, 368c, 368d, 368e, 401, 401.1, 402,
18 403, 403A, 408, 408.2, 409, 412, 444, and 444.1, paragraph (c)
19 of subsection (2) of Section 367, and Articles IIA, VIII 1/2,
20 XII, XII 1/2, XIII, XIII 1/2, XXV, and XXVI of the Illinois
21 Insurance Code.

22 (b) For purposes of the Illinois Insurance Code, except for
23 Sections 444 and 444.1 and Articles XIII and XIII 1/2, Health
24 Maintenance Organizations in the following categories are
25 deemed to be "domestic companies":

26 (1) a corporation authorized under the Dental Service
27 Plan Act or the Voluntary Health Services Plans Act;

28 (2) a corporation organized under the laws of this
29 State; or

30 (3) a corporation organized under the laws of another
31 state, 30% or more of the enrollees of which are residents
32 of this State, except a corporation subject to

1 substantially the same requirements in its state of
2 organization as is a "domestic company" under Article VIII
3 1/2 of the Illinois Insurance Code.

4 (c) In considering the merger, consolidation, or other
5 acquisition of control of a Health Maintenance Organization
6 pursuant to Article VIII 1/2 of the Illinois Insurance Code,

7 (1) the Director shall give primary consideration to
8 the continuation of benefits to enrollees and the financial
9 conditions of the acquired Health Maintenance Organization
10 after the merger, consolidation, or other acquisition of
11 control takes effect;

12 (2) (i) the criteria specified in subsection (1) (b) of
13 Section 131.8 of the Illinois Insurance Code shall not
14 apply and (ii) the Director, in making his determination
15 with respect to the merger, consolidation, or other
16 acquisition of control, need not take into account the
17 effect on competition of the merger, consolidation, or
18 other acquisition of control;

19 (3) the Director shall have the power to require the
20 following information:

21 (A) certification by an independent actuary of the
22 adequacy of the reserves of the Health Maintenance
23 Organization sought to be acquired;

24 (B) pro forma financial statements reflecting the
25 combined balance sheets of the acquiring company and
26 the Health Maintenance Organization sought to be
27 acquired as of the end of the preceding year and as of
28 a date 90 days prior to the acquisition, as well as pro
29 forma financial statements reflecting projected
30 combined operation for a period of 2 years;

31 (C) a pro forma business plan detailing an
32 acquiring party's plans with respect to the operation
33 of the Health Maintenance Organization sought to be
34 acquired for a period of not less than 3 years; and

1 (D) such other information as the Director shall
2 require.

3 (d) The provisions of Article VIII 1/2 of the Illinois
4 Insurance Code and this Section 5-3 shall apply to the sale by
5 any health maintenance organization of greater than 10% of its
6 enrollee population (including without limitation the health
7 maintenance organization's right, title, and interest in and to
8 its health care certificates).

9 (e) In considering any management contract or service
10 agreement subject to Section 141.1 of the Illinois Insurance
11 Code, the Director (i) shall, in addition to the criteria
12 specified in Section 141.2 of the Illinois Insurance Code, take
13 into account the effect of the management contract or service
14 agreement on the continuation of benefits to enrollees and the
15 financial condition of the health maintenance organization to
16 be managed or serviced, and (ii) need not take into account the
17 effect of the management contract or service agreement on
18 competition.

19 (f) Except for small employer groups as defined in the
20 Small Employer Rating, Renewability and Portability Health
21 Insurance Act and except for medicare supplement policies as
22 defined in Section 363 of the Illinois Insurance Code, a Health
23 Maintenance Organization may by contract agree with a group or
24 other enrollment unit to effect refunds or charge additional
25 premiums under the following terms and conditions:

26 (i) the amount of, and other terms and conditions with
27 respect to, the refund or additional premium are set forth
28 in the group or enrollment unit contract agreed in advance
29 of the period for which a refund is to be paid or
30 additional premium is to be charged (which period shall not
31 be less than one year); and

32 (ii) the amount of the refund or additional premium
33 shall not exceed 20% of the Health Maintenance
34 Organization's profitable or unprofitable experience with

1 respect to the group or other enrollment unit for the
2 period (and, for purposes of a refund or additional
3 premium, the profitable or unprofitable experience shall
4 be calculated taking into account a pro rata share of the
5 Health Maintenance Organization's administrative and
6 marketing expenses, but shall not include any refund to be
7 made or additional premium to be paid pursuant to this
8 subsection (f)). The Health Maintenance Organization and
9 the group or enrollment unit may agree that the profitable
10 or unprofitable experience may be calculated taking into
11 account the refund period and the immediately preceding 2
12 plan years.

13 The Health Maintenance Organization shall include a
14 statement in the evidence of coverage issued to each enrollee
15 describing the possibility of a refund or additional premium,
16 and upon request of any group or enrollment unit, provide to
17 the group or enrollment unit a description of the method used
18 to calculate (1) the Health Maintenance Organization's
19 profitable experience with respect to the group or enrollment
20 unit and the resulting refund to the group or enrollment unit
21 or (2) the Health Maintenance Organization's unprofitable
22 experience with respect to the group or enrollment unit and the
23 resulting additional premium to be paid by the group or
24 enrollment unit.

25 In no event shall the Illinois Health Maintenance
26 Organization Guaranty Association be liable to pay any
27 contractual obligation of an insolvent organization to pay any
28 refund authorized under this Section.

29 (Source: P.A. 92-764, eff. 1-1-03; 93-102, eff. 1-1-04; 93-261,
30 eff. 1-1-04; 93-477, eff. 8-8-03; 93-529, eff. 8-14-03; 93-853,
31 eff. 1-1-05; 93-1000, eff. 1-1-05; revised 10-14-04.)

32 Section 20. The Voluntary Health Services Plans Act is
33 amended by changing Section 10 as follows:

1 (215 ILCS 165/10) (from Ch. 32, par. 604)

2 Sec. 10. Application of Insurance Code provisions. Health
3 services plan corporations and all persons interested therein
4 or dealing therewith shall be subject to the provisions of
5 Articles IIA and XII 1/2 and Sections 3.1, 133, 140, 143, 143c,
6 149, 155.37, 354, 355.2, 356r, 356t, 356u, 356v, 356w, 356x,
7 356y, 356z.1, 356z.2, 356z.4, 356z.5, 356z.6, 356z.8, 364.01,
8 367.2, 368a, 401, 401.1, 402, 403, 403A, 408, 408.2, and 412,
9 and paragraphs (7) and (15) of Section 367 of the Illinois
10 Insurance Code.

11 (Source: P.A. 92-130, eff. 7-20-01; 92-440, eff. 8-17-01;
12 92-651, eff. 7-11-02; 92-764, eff. 1-1-03; 93-102, eff. 1-1-04;
13 93-529, eff. 8-14-03; 93-853, eff. 1-1-05; 93-1000, eff.
14 1-1-05; revised 10-14-04.)

15 Section 99. Effective date. This Act takes effect upon
16 becoming law."